TO: Mayor and City Council

FROM: Acting Personnel Director

SUBJECT: Resolution Authorizing Execution of an Agreement for Third Party Administration of City's Workers' Compensation Claims

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing execution of an agreement with Firms Solutions Inc. to administer the City's workers' claim in the amount not to exceed $165,000 in the highest year.

BACKGROUND:

The City of Hayward has been self-insured for the administration of its workers compensation claims since 1980. This requires the services of a company to pay bills, investigate claims and implement other services designed to process claims efficiently. The City requested proposals from companies interested in providing this service and received eight (8) responses. The proposals were reviewed by staff from the Personnel, Police, Fire and Public Works Departments. In addition, staff evaluated oral presentations made by the top three firms and also reviewed an independent audit completed on the selected firm.

FIRM SOLUTIONS INC. was selected as the most qualified firm to administer the City's claims. This company currently administers the city's claims and has done an outstanding job for four years. Despite rising costs in benefits due to regulation changes and negotiated increases in salaries, significant savings have ocurred in the workers compensation program due in part, to our contract with this company.
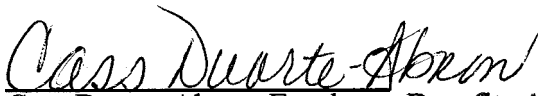
The bids submitted by the eight firms ranged from $146,000 to $215,000 per contract year. Firm Solutions' fee was not the lowest fee proposed. However, fee is not the sole determining factor when professional services are involved. The City's savings on claims processing services result from the efficient handling of each claim and through the cost containment of medical and salary benefits. In addition, a change in company results in additional transition

costs during the first year while the new company familiarizes itself with the City's claims and converts the data summarizing transactions that occurred over, the life of the claim. Thus, based on a combination of the proposed fee, the caliber of services provided to date and the avoidance of new expenses, due to a change in administrator, staff recommends the continued use of Firm Solutions, Inc. for processing of workers compensation claims.

In the course of processing the City's claims, Firms will utilize the services of many vendors in the areas of investigations, bill review, medical, rehabilitative and legal services. They have committed to meet a DBE goal of 28% in the course of carrying out this contract, with 20% participation from certified minority business enterprises and 8% from certified women business enterprises.
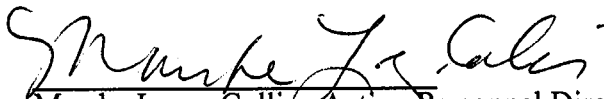
The agreement is for a three-year term, with compensation fixed at $155,000 for the first year, $160,000 for the second and $165,000, the final year.
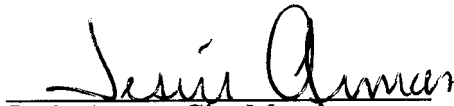
Prepared by:

Cass Duarte-Abron, Employee Benefits Administrator

Recommended by:

Marsha Lang -Collins Acting Personnel Director

Approved by:

Jesús Armas, City Manager

DRAFT /2/26/99

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member_____

RESOLUTION AUTHORIZING THE CITY MANAGER TO
EXECUTE AND AGREEMENT WITH FIRM SOLUTIONS,
INC., FOR THIRD PARTY ADMINISTRATION OF THE
CITY'S WORKERS' COMPENSATION CLAIMS

BE IT RESOLVED, by the City Council of the City of Hayward that the City
Manager is hereby authorized and directed to execute on behalf of the City of Hayward an
agreement between the City of Hayward and Firm Solutions, Inc., for third party
administration of the City's workers' compensation claims in an amount not to exceed
$165,000 in the highest year, in a form to be approved by the City Attorney.

IN COUNCIL, HAYWARD CALIFORNIA, _____ , 1999

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:_____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

_____
City Attorney of the City of Hayward